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SUBJECT: YEMEN SUBMITS THRESHOLD PAPER: REACHING MCC A  
JOURNEY OF A THOUSAND STEPS

REF: A. SANAA 193

[B](#). SANAA 9

[1](#)1. Summary. Deputy Prime Minister Sofan presented Yemen's MCC-Threshold Concept Paper to USAID Director on Jan. 30. The paper was recommended for approval on Jan. 30 by letter to AID/PPC/MCA, signed by Ambassador and USAID Director. The Ministry of Planning and International Cooperation (MOPIC) had the lead in developing the paper (ref A), which aims to address Yemen's status as measured by MCC indicators. To be accepted into the Threshold Program, the ROYG was required to explain its underperformance in several categories, and to offer a coherent plan for improving these scores within two years. If MCC accepts the Concept Paper, the next step is for the ROYG to submit specific project proposals for funding, which could potentially exceed ten million dollars over two years. The ROYG's performance in meeting these goals will reveal its willingness to make the hard choices required of a true leader of reform and partner for change in the region. End summary.

[1](#)2. MOPIC designed its concept paper using improvement of the investment climate as its binding theme. The ROYG contends that increasing and diversifying investment in Yemen is essential to raising MCC indicator scores across the board. This approach strayed from US recommendations that MOPIC focus on the crosscutting indicators, corruption and rule-of-law. Nevertheless, the ROYG acknowledged the importance of these two indicators as elements of the investment climate, along with proposing steps to secure property rights.

[1](#)3. Post endorses the Concept Paper for its direct approach in identifying key issues and the ROYG's apparent willingness to mobilize the interagency process to tackle ROYG failures in key MCC indicators. That the paper explicitly acknowledges the problem of "patronage and nepotism" within the ROYG, along with stating "the need for serious and concerted efforts" to fight corruption, is a noteworthy step in and of itself. The paper also specifically points to breakdowns in the civil service, the court system, and the public procurement process.

[1](#)4. Despite the positive signs, there remains good cause for skepticism as to the ability of ROYG Ministries to implement reform, most importantly concerning President Saleh's resolve to implement the tough decisions regarding democratic and economic reform that will guarantee MCC qualification. Ambassador made clear to Sofan during the visit of MCC officials to Yemen that achieving MCC status would require implementing reform measures that "caused pain" to those living off institutionalized corruption. The measures proposed in the ROYG's Concept Paper, however, demonstrate an approach that seeks to tackle corruption via small steps. For example, to reduce corruption, the paper proposes an indirect approach -- improving the free media and strengthening the monitoring role of Parliament. To promote the independence of commercial courts and the High Committee for Tenders, the paper requests technical support and training. There is no mention of law enforcement or prosecution of corrupt officials.

[1](#)5. Comment: The fact that reform-minded MOPIC officials were able to exploit the Threshold process to mobilize an inter-departmental committee to address MCC indicators and to push for internal reform is a valuable outcome. While the Concept Paper is a satisfactory start for future work within the Threshold Program, post will examine future proposals for specificity of reform and institutional change in the implementation design. Post will hold the ROYG's feet to the fire over the next two Threshold years,, looking for tangible improvements in such areas as the tendering process, press freedoms, and transparency in government finance. We will continue to stress that Threshold is not a success in its own right, but will serve as a litmus test for future development assistance. End comment.  
Krajeski